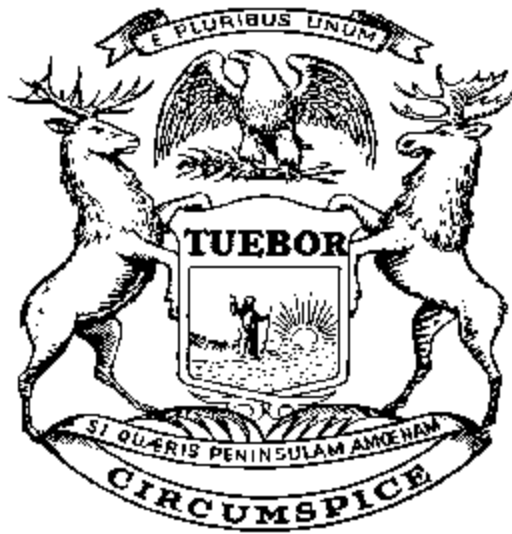


STATE OF MICHIGAN
FISCAL YEAR 1999-2000

Appropriations Summary and Analysis



prepared by the



Mitchell E. Bean, Interim Director

August 1999

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August 1999

To: Members of the Michigan House of Representatives

We are pleased to provide you with this **State of Michigan FY 1999-2000 Appropriations Summary and Analysis**, which summarizes the enacted FY 1999-2000 appropriations bills. Please note that appropriations shown in this report for Capital Outlay are FY 1999-2000 year-to-date, as the Capital Outlay budget is incomplete at this time. It is anticipated that the FY 1999-2000 Capital Outlay budget will be completed in September/October 1999.

This report provides an overview to the FY 1999-2000 appropriations process as well as detailed information for specific department/agency FY 1999-2000 budgets. Budget and boilerplate changes from the current fiscal year by department/agency, information on gubernatorial vetoes, and FY 1998-99 supplemental budget action appear in this report, as does a summary of the estimates agreed to by the principals of the May 1999 Consensus Revenue Estimating Conference. Please feel free to photocopy or disseminate portions of this report.

House Fiscal Agency analysts prepared the budget summaries and analyses for each department/agency with assistance from our budget assistants. Production of this report was coordinated by Jeanne Dee, Administrative Assistant.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need further information.

Mitchell E. Bean, Interim Director

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GLOSSARY

Frequently-Used State Budget Terms

Adjusted Gross

Total net amount of all line item appropriations; gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

Boilerplate

Specific language sections contained in an appropriations act which direct, limit or restrict line item expenditures, and/or require reports

Budget Stabilization Fund (BSF)

The countercyclical economic and budget stabilization fund -- also known as the "rainy day" fund

Federal Revenues

Federal grant or matchable revenues dedicated to specific programs

General Fund/General Purpose (GF/GP)

The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenues

Gross Appropriations, Gross

Summation of all applicable line item spending authorizations

Interdepartmental Grant (IDG)

Revenue or funds received from another state department (usually for a service the receiving department provides)

Lapses

Unspent/unobligated funds remaining in line item accounts at the end of the fiscal year

Line Items

Notations in an appropriations bill which establish spending authorities for a particular program or function (may be for a single purpose or for multiple purposes)

Local Revenue

Revenues from local units of government

Other State Restricted, or Restricted Funds

State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives

Private Funds

Revenues from non-public entities such as rents, royalties or interest payments, payments from hospitals, payments from individuals, and gifts and bequests

School Aid Fund (SAF)

The primary funding source for K-12 schools and Intermediate School Districts (ISDs)

State Restricted, or Restricted Revenue

Non-general fund monies used for specific programs pursuant to the Constitution or statute; revenues dedicated to a specific fund; also known as deducts

Intradepartmental Transfer (IDT)

Transfers or funds being provided from one appropriation unit to another in the same department

Work Project

An account established to allow for certain specific unspent funds to be carried over from one fiscal year to the next

**FY 1999-2000
Budget**

OVERVIEW

OVERVIEW

This *Overview* summarizes enacted FY 1999-2000 appropriations and FY 1998-99 supplemental appropriations enacted in 1999. More detailed information for specific department/agency budgets is found in the *Budget Detail* sections of this report. The final section of the report reviews the FY 1998-99 and 1999-2000 revenue estimates adopted at the May 17, 1999 Consensus Revenue Estimating Conference.

The May Consensus Revenue Estimating Conference anticipated continued revenue growth through FY 1999-2000. Compared to the January 1999 estimates, the May consensus estimates provide an additional \$336 (GF/GP) million for FY 1998-99 and an additional \$531 million (GF/GP) for FY 1999-2000. Contributing to the state's positive revenue outlook is an anticipated \$8.1 billion in tobacco settlement revenues to be paid to Michigan through 2025. The Legislature dedicated part of this amount to Michigan Merit Scholarships for qualifying high school graduates, to the Tuition Incentive Program, and to various health initiatives and programs for the aging. About \$90.4 million of the settlement monies remains to be appropriated in FY 1999-2000.

Early in the session, the Legislature passed the Governor's recommended decrease in the personal income tax rate from 4.4% to 3.9% over five years. Later in the session, the Legislature passed the Governor's proposed phase-out of the Single Business Tax (SBT), annually decreasing the SBT rate by .01% per year for 23 years. The SBT phase-out will lower state revenues by \$88 million in FY 1998-99 and \$213 million in FY 1999-2000. Revisions in industrial processing exemptions and bad debt deductions (which affect the sales and use tax) prevent an ongoing loss of GF/GP and School Aid Fund revenue associated with recent court decisions.

The net impact of the SBT phase-outs and sales and use tax revisions is an increase in GF/GP revenues of \$49 million in FY 1998-99 and a decrease of \$195 million in FY 1999-2000. Net FY 1998-99 revenues increase because sales and use tax revisions mitigated the anticipated revenue loss associated with court rulings. In addition, School Aid Fund revenues are expected to increase \$94 million in FY 1998-99 and \$7 million in FY 1999-2000.

The Legislature adopted supplemental appropriations bills for FY 1998-99 which provide funding for capital outlay, information system improvements, and one-time projects in addition to increased day care, foster care, and health services. Note that for several budgets, the FY 1998-99 supplemental appropriations substantially increase current-year outlays, making meaningful comparison between fiscal years more difficult.

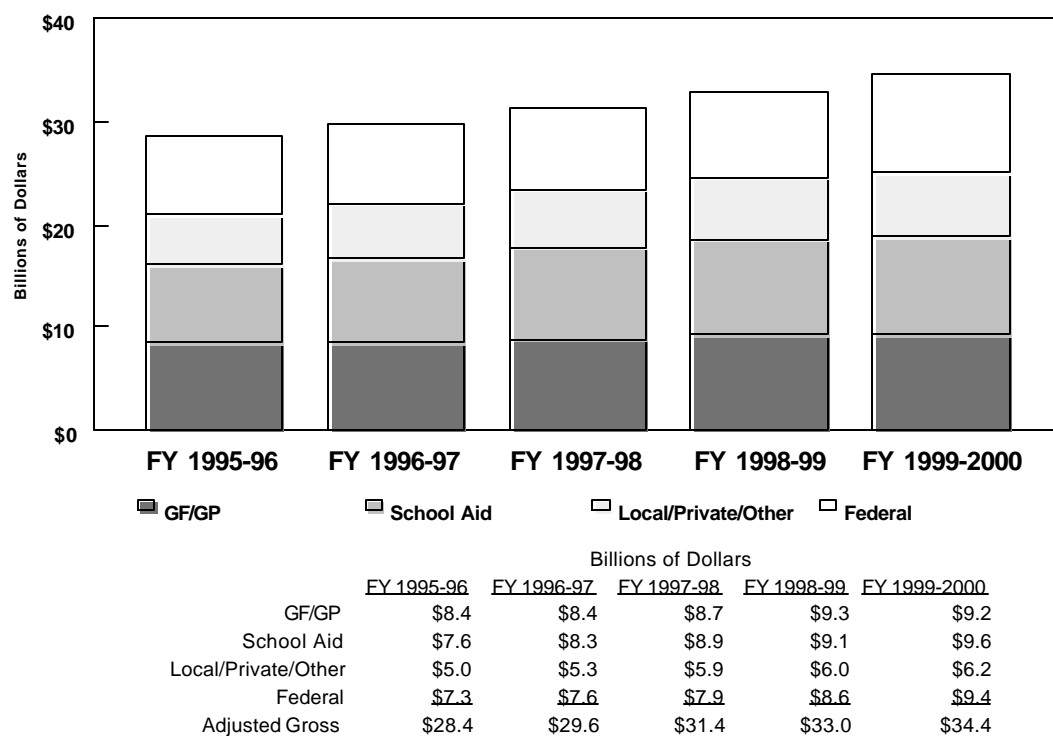
Tables 1 through 5 summarize enacted FY 1999-2000 appropriations by department and major budget area.

Overview

Figure 1 shows year-to-date Adjusted Gross appropriations from FY 1995-96 to FY 1999-2000. Fiscal Year 1999-2000 Adjusted Gross appropriations are allocated from the following sources: school aid fund (27.9%), federal (27.3%), GF/GP (26.7%), and local/private/other restricted (18.0%).

Figure 1

Adjusted Gross Year-to-Date Appropriations History

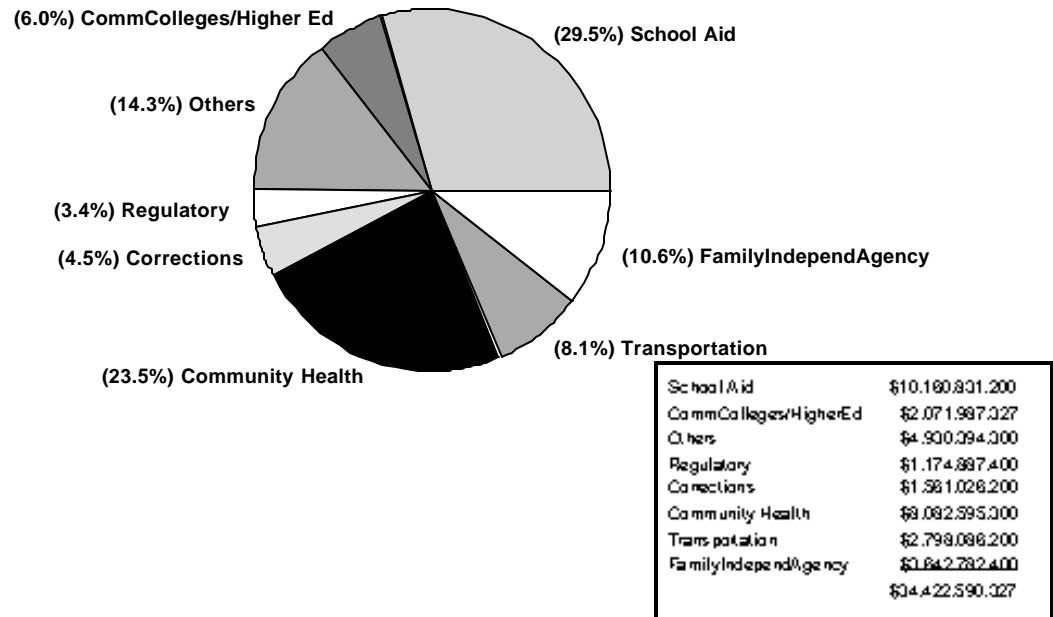


NOTE: Capital Outlay budget incomplete at 8/99.

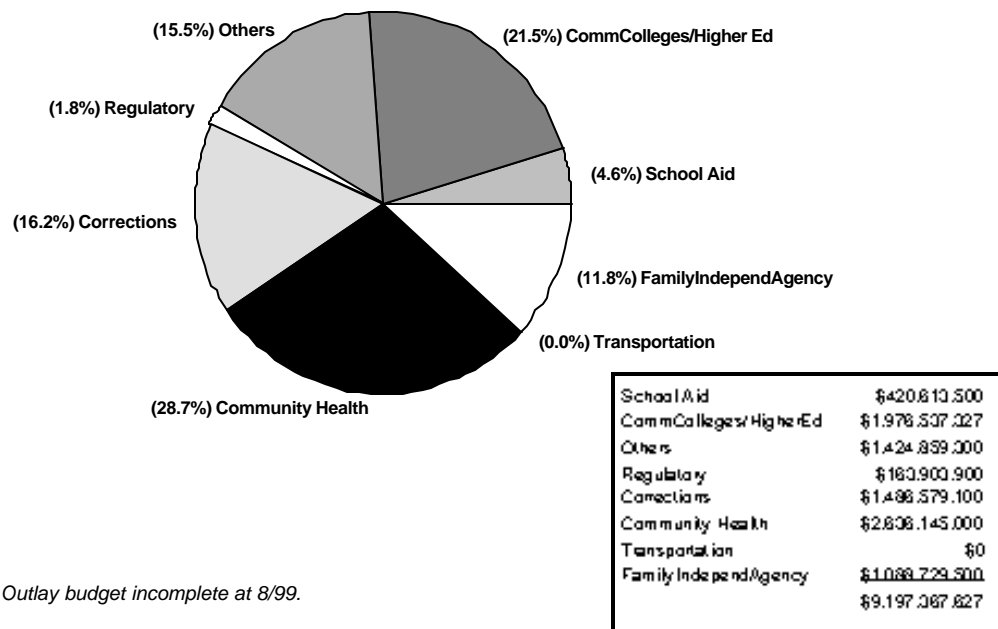
Figure 2 (opposite page) shows the distribution of FY 1999-2000 Adjusted Gross and GF/GP appropriations. For Adjusted Gross appropriations, School Aid (29.5%) and Community Health (23.5%) receive the largest shares. Of GF/GP appropriations, Community Health (28.7%) and Community Colleges/Higher Education (21.5%) receive the largest portions.

Figure 2

Adjusted Gross Appropriations: FY 1999-2000



GF/GP Appropriations: FY 1999-2000



NOTE: Capital Outlay budget incomplete at 8/99.

Overview

Figure 3 illustrates the percentage change from FY 1998-99 to FY 1999-2000 for the budget bills enacted. The upper portion of the chart shows increases and decreases for Adjusted Gross appropriations; the lower portion presents this comparison for GF/GP appropriations. Please note that the Capital Outlay budget for FY 1999-2000 remains to be adopted by both the House and Senate.

To summarize the major changes, Adjusted Gross appropriations increased for:

Education	13.2%	School Aid	5.1%
Family Independence Agency	12.7%	Natural Resources	4.7%
Regulatory	11.0%	General Government	3.8%
Higher Education	10.6%	Military and Veterans Affairs	3.7%
Corrections	8.7%	Judiciary	3.1%
Community Health	5.5%	State Police	2.0%
Community Colleges	5.4%	Transportation	1.2%

Major dollar increases in Adjusted Gross appropriations include:

\$493.6 million for School Aid;
\$420.8 million for Department of Community Health, including \$53 million in new health initiatives from tobacco settlement monies;
\$410.6 million for the Family Independence Agency, incorporating additional federal food stamp spending
\$170.5 million for Higher Education, including restricted tobacco settlement monies allocated to the Michigan Merit Award and the Tuition Incentive Plan;
\$125.5 million in Corrections spending; and
\$116.3 million to the Education Department for increased federal program spending.

GF/GP appropriations increased for:

Corrections	8.6%	State Police	3.3%
Community Colleges	5.4%	Judiciary	2.5%
Higher Education	4.9%	Community Health	1.1%
Environmental Quality	4.0%	Military and Veterans Affairs	0.3%
Natural Resources	3.7%		

The largest GF/GP increases are:

Corrections (\$118 million),
Higher Education and Community Colleges (\$94 million), and
Community Health (\$29.3 million).

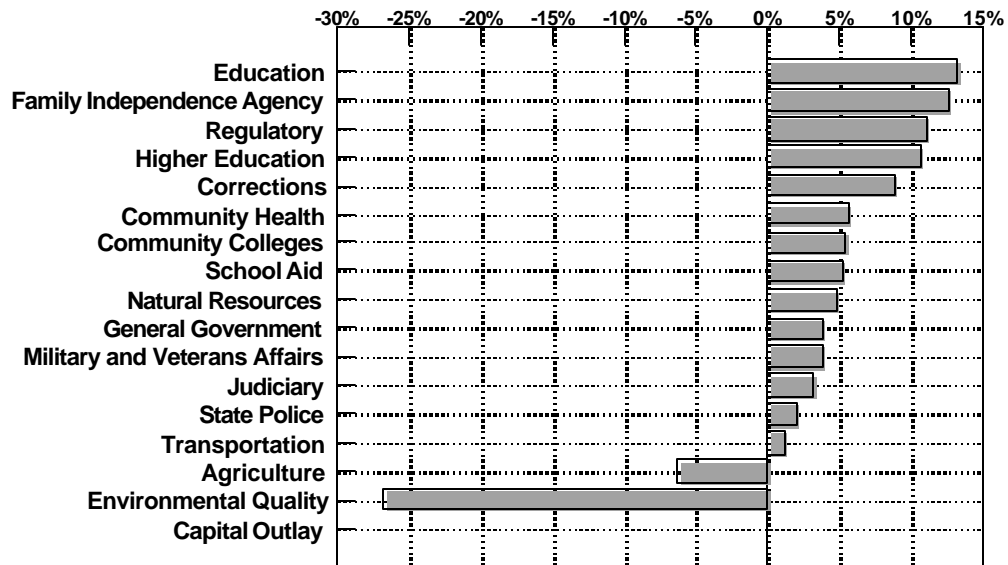
Offsetting some of these increases are:

Family Independence Agency savings (\$39.6 million),
General Government savings (\$22.2 million), and
reductions of \$8.6 million GF/GP for the Michigan Department of Education.

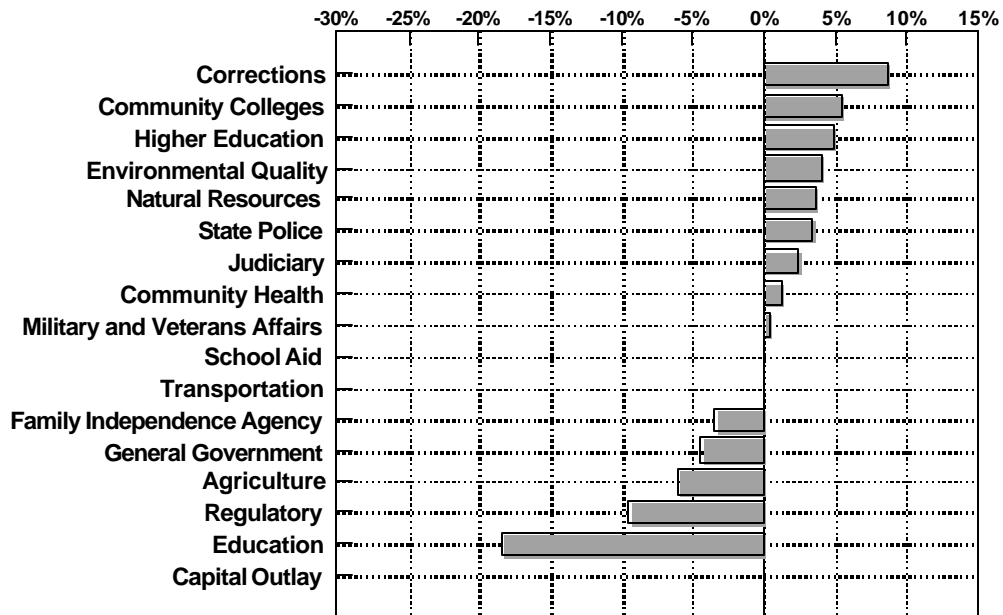
Please note that some of these decreases reflect elimination of FY 1998-99 supplemental appropriations and program transfers.

Figure 3

ADJUSTED GROSS APPROPRIATIONS
FY 1999-2000 Percent of Change from FY 1998-99



GF/GP APPROPRIATIONS
FY 1999-2000 Percent of Change from FY 1998-99



NOTE: Capital Outlay budget incomplete at 8/99.

Overview

MAJOR CHANGES BY BUDGET AREA

Following is a list of FY 1999-2000 major budgetary changes, including a brief explanation of the specific increase or decrease. Also summarized are supplemental appropriations for FY 1998-99.

EDUCATION

Community Colleges

- \$15.4 million (GF/GP) to support base operational costs

Education

- \$750,000 (GF/GP) to develop and implement the Michigan Education Information System
- \$200,000 (federal) to create the Office for Safe Schools
- Transfer Focus: Hope funding to the Department of Career Development; savings of \$981,000 (GF/GP)
- FY 1998-99 Supplemental Budget Items: \$13.5 million (Gross), \$10.0 million (federal) for class size reduction grants; \$1.7 (private) and \$1.7 million (GF/GP) for production of additional reading kits

Higher Education

- \$91.5 million (Restricted) funding for new Michigan Merit Award and existing Tuition Incentive Plan (TIP) programs; these funds will be drawn from the Michigan Merit Award Trust Fund, the recipient of 30% of Michigan's portion of the national tobacco settlement for the FY1999-2000 fiscal year
- \$75.9 million (GF/GP) increase in state university, statewide and regional program, and financial aid support
- Transfer of funding, \$4,092,000 (GF/GP), for Center for Advanced Technology to Department of Career Development

School Aid

- FY 1998-99 Supplemental Budget Item: \$52.1 million (Gross) for higher-than-expected pupil counts and cost of revisions of personal property tax depreciation tables
- FY 1999-2000 Supplemental Budget Item: \$221.9 million (Gross) for higher foundation allowance (\$5,696 per pupil), higher pupil estimates, cost of personal property tax depreciation tables, and new initiatives
- FY 2000-01 Budget Appropriation: \$5,866 foundation allowance; \$10.6 billion (Gross), \$420.0 million (GF/GP), \$32 million (BSF)

GENERAL GOVERNMENT**Attorney General**

- \$327,800 (Gross) for additional staff in the Casino Control and Retirement Divisions
- FY 1998-99 Supplemental Budget Item: \$2.3 million (GF/GP) for computer and communication technology enhancements

Civil Service

- Changes in Methods of Funding:
 - Replace \$100,000 interdepartmental grant from the Michigan Transportation Fund with an equal amount of GF/GP to comply with provisions of PA 51
 - Modify funding from 1% sources to better reflect actual assessments; savings of \$2.4 million (GF/GP)
- FY 1998-99 Supplemental Budget Item: \$6.2 million (GF/GP) for continued implementation of the statewide Human Resources Management Network

Legislature

- \$5.4 million (GF/GP) for costs associated with the new House of Representatives Office Building
- \$1.0 million (GF/GP) for new office furniture for the Senate
- \$777,200 (GF/GP) for the Senate Automated Data Processing line item
- \$238,300 (GF/GP) and 4.0 FTE positions for the Legislative Corrections Ombudsman, due to an increase in caseloads as a result of 1998 PA 318
- Reduce funding for the Legislative Session Integration System; savings of \$764,000 (GF/GP)
- Eliminate funding for property management costs associated with the Roosevelt Building; savings of \$564,700 (GF/GP)
- FY 1998-99 Supplemental Budget Item: \$1.0 million (GF/GP) for the House and Senate human resources system (HB 4075)

Library of Michigan

- \$199,600 (GF/GP) for three additional staff positions : programmer, network administrator, and preservation specialist
- \$140,000 (GF/GP) in order to fully fund state aid payments to public libraries

Management and Budget

- \$550,000 (GF/GP) for development and maintenance of an Executive Information System for the Statewide Land Database
- \$150,000 (GF/GP) for maintenance of the Michigan Geographic Framework
- Change in Method of Funding: Eliminate interdepartmental grant funding from the Michigan Transportation Fund and replace with an equal amount of GF/GP funding in order to comply with provisions of Public Act 51; \$340,500 (GF/GP)
- FY 1998-99 Supplemental Budget Items:

Overview

- \$10.0 million (GF/GP) for one-time art and cultural grants (HB 4075)
- \$3.0 million (GF/GP) for statewide information technology assessment (HB 4075)
- \$458,200 (GF/GP) and 3.5 FTE positions to support decennial census coordination and outreach efforts (SB 68)
- FY 1999-2000 Supplemental Budget Item: Boilerplate appropriation of \$488,800 (GF/GP) for statewide unclassified salary increases (HB 4075)

State

- \$2.5 million (GF/GP) for operational costs associated with repeat offender legislation
- \$1.7 million (Gross) to implement provisions of the Federal Illegal Immigration Reform and Immigrant Responsibility Act of 1996 requiring states to collect and verify social security numbers from all drivers license and personal identification card applicants
- \$688,000 (GF/GP) to complete the migration from a paper and film-based record keeping system to a document management system based on imaging technology
- Change in Method of Funding: Replace \$8.0 million (GF/GP) with an equal amount of funding from the Michigan Transportation Fund to comply with provisions of PA 51
- New fee (\$250 per application) for review of state historical marker applications; estimated revenue increase of \$7,500
- FY 1998-99 Supplemental Budget Items:
 - \$3.7 million (GF/GP) for qualified voter file to support software upgrades, maintenance costs, and preparations for 2000 census
 - \$1.7 million (GF/GP) for start-up costs associated with repeat offender legislation.

Treasury

Operations

- \$5.0 million (GF/GP) for tax system technology enhancements
- \$3.9 million (Gross) for oversight and regulatory costs associated with temporary Detroit casinos
- \$2.0 million (Gross) for administrative costs of the Michigan Merit Awards Commission; funding from national tobacco settlement revenue
- \$2.0 million (Gross) for increased lottery advertising and promotion activities
- Changes in Methods of Funding:
 - Eliminate \$6.9 million interdepartmental grant from the Michigan Transportation Fund to comply with provisions of PA 51; replace with GF/GP
 - Replace GF/GP with restricted revenue to support general property tax program; savings of \$3.0 million (GF/GP)
- FY 1998-99 Supplemental Budget Items:
 - \$6.0 million (GF/GP) for reimbursement to local units of government for costs associated with 2000 presidential primary
 - \$5.3 million (GF/GP) for start-up costs associated with tax system technology enhancements
 - \$5.0 million (GF/GP) to secure obligations issued by the Michigan Municipal Bond Authority to make capital or operational loans to public school academies
 - \$1.4 million (GF/GP) for cigarette tax stamp enforcement activities

- \$400,000 (GF/GP) for special census revenue sharing payments

HUMAN SERVICES**Community Health*****Mental Health***

- \$66.8 million (Gross), \$30.0 million (GF/GP) to address projected expenditures by Community Mental Health Service Programs (CMHSPs) due to Medicaid managed mental health care
- \$55.8 million (Gross), \$0 (GF/GP) for community mental health programs anticipating increased federal Medicaid earnings by CMHSPs in FY 1998-99
- \$18.8 million (Gross), \$9.1 million (GF/GP) for community mental health programs due to the decline in the census at state-operated psychiatric hospitals for persons with mental illness and state-operated centers for persons with developmental disabilities (\$9.1 million of these funds are redirected from state hospitals and centers)
- \$13.7 million (Gross), \$3.3 million (GF/GP) for full-year costs associated with implementing the FY 1998-99 wage pass-through increase of \$0.50 per hour to residential direct care workers and \$0.75 per hour to nonresidential direct care workers
- \$2.1 million (Gross), \$0 (GF/GP) to provide substance abuse treatment for Family Independence Agency recipients

Public Health

- \$41.1 million (Healthy Michigan Fund) to continue most current year appropriations, and additional funding for various public health projects
- \$13.3 million (Gross), \$4.8 million (GF/GP) for the children's waiver home care program to increase the program capacity from approximately 350 to 400 participants and to fund wage cost increases for home care nurses and aides serving children in this program
- \$1.3 million (Gross), \$300,000 (GF/GP) for a cooperative program with the Department of Education and the Family Independence Agency to fund community-based prevention services for families with children 0 to 3 year of age
- \$1.2 million (Gross and GF/GP) for a 3% increase in local public health operations distributions to local public health departments

Aging

- \$5.0 million (tobacco settlement revenue) for senior respite services and \$3.0 million (tobacco settlement revenue) for a new long-term care advisor program
- \$1.0 million (Gross and GF/GP) for improvements to senior citizen centers

Overview

Medical Services

- \$117.7 million (Gross), \$52.8 million (GF/GP) for a 3.1% Medicaid payment rate increase to hospitals and a 4.0% payment rate increase to health plans, nursing homes, physicians, and various other fee-for-service providers
- \$50.0 million (Gross), \$22.4 million (GF/GP) to cover increased Medicaid expenditures for hospital services, pharmaceutical costs, long-term care, and Medicare premium payments
- \$45.0 million (tobacco settlement revenue) for a new senior prescription drug insurance program (\$30.0 million); one-time, long-term care innovations grants (\$10.0 million); and personal needs allowance increase from \$30 to \$60 per month for nursing home residents (\$5.0 million)
- \$33.6 million (Gross), \$15.1 million (GF/GP) for enhanced Medicaid nursing home wages and benefits of up to \$0.75 per employee hour
- \$11.1 million (Gross), \$5.0 million (GF/GP) for Medicaid rural hospital initiatives
- \$10.9 million (Gross), \$5.5 million (GF/GP) to expand Medicaid dental capacity around the state, particularly in rural areas and through federally-qualified health centers
- \$4.9 million (Gross), \$2.2 million (GF/GP) to increase the Medicaid personal care services payment rate in adult foster care facilities by \$30 per month
- FY 1998-99 Supplemental Budget Items:
 - \$105.4 million (Gross), \$49.9 million (GF/GP) to adjust the base for Medicaid and address Medicaid line items that are projected to be underfunded
 - \$104.2 million (Gross), \$19.9 million (GF/GP) for CMHSPs to recognize increased federal Medicaid earnings, change source of financing for the wage increase for direct care workers, and address an anticipated deficit
 - \$20.0 million (Gross) to reflect a one-time special financing payment related to Community Mental Health fee-for-service expenditures which will result in an additional \$10.5 million in federal Medicaid funds and a corresponding GF/GP reduction
 - \$2.0 million (Gross), \$350,000 (GF/GP) for an automated pharmacy claims adjudication system
 - \$6.0 million (GF/GP) funding shift from the Older Michiganians Pharmaceutical Assistance Fund
- FY 2000-2001 Budget Appropriation: \$2.2 billion (Gross), \$957.7 million (GF/GP) which includes a 4% increase in payment rates for qualified health plans, hospital services and therapy, and for physician services — effective October 1, 2000

Corrections

- \$80.4 million (Gross and GF/GP) for partial-year costs of 5,465 beds opening in 13 prisons and camps
- \$7.1 million increase (Gross and GF/GP) for costs of training new corrections officers
- Closure of six corrections centers ("halfway houses"); full-year savings of \$6.0 million (Gross and GF/GP)

Overview

- FY 1999-2000 budget change renames the leased bed line item to “leased beds and alternatives to leased beds” and provides for carry-forward of the \$30.8 million in GF/GP funding for this line item

Family Independence Agency

- \$468.0 million (federal) food stamp funding now appropriated due to federal mandate requiring payment through electronic benefit transfer cash payments instead of food stamp coupons
- \$281.2 million (Gross), \$29.4 million (GF/GP) increase to cover the expanding child day care caseload for welfare clients and low-income families
- \$70.8 million (Gross), \$23.5 million (GF/GP), increase to cover a foster care base shortage and provide a 2.7% foster care provider rate increase beginning January 1, 2000
- \$33.0 million (federal Temporary Assistance to Needy Families - TANF) increase to establish child day care accessibility pool
- \$17.3 million (Gross), \$1.2 million (GF/GP) increase in adoption subsidies to reflect an increasing caseload, improve placement of special needs children into adoptive homes, and provide a 2.7% adoption subsidy rate increase beginning January 1, 2000
- Decrease Family Independence Program caseload by 32,200 from the FY 1998-99 level; savings of \$167.6 million (TANF)
- FY 1998-99 Supplemental Budget Items:
 - \$120.0 million (Gross), \$29.4 million (GF/GP) to cover the increase in projected Day Care Services caseload
 - \$50.0 million (Gross), \$13.0 million (GF/GP), to cover a foster care base shortage
 - \$42.8 million (Gross), \$14.5 million (GF/GP), for Child Support Program automation
 - \$32.8 Million (Gross), \$11.1 million (GF/GP) for Child Support distribution computer system
 - \$12.8 million (GF/GP) for Child Support Enforcement System sanction

REGULATORY

Career Development

- \$75.0 million (Restricted) for Michigan technical education centers provided from tobacco settlement revenue
- \$5.5 million (GF/GP) appropriation for Focus: HOPE consolidated into this budget from Department of Education and Higher Education budgets
- \$288,000 (GF/GP) for grants to centers for independent living; boilerplate makes appropriation increase contingent upon new reporting requirements
- \$200,000 (GF/GP) increase for two pre-college programs in engineering and the sciences located in Detroit and Grand Rapids
- Change in Method of Funding: Replace \$29.4 million in GF/GP for Welfare-to-Work and Work First Programs with Temporary Assistance for Needy Families (TANF) support; GF/GP re-appropriated in Family Independence Agency

Overview

- Boilerplate appropriation: Interest on tobacco settlement revenue not deposited in the Merit Award Trust Fund is appropriated to the Council on Michigan Foundations for distribution to certified community foundations for youth and senior health programs
- FY 1998-99 Supplemental Budget Item: \$500,000 (GF/GP) grant provided to Focus: HOPE

Consumer and Industry Services

- \$10 million (Gross), including \$4.5 million (GF/GP), for Nursing Home Quality Incentive Grants to provide financial incentives for nursing homes to achieve high-quality care
- \$1.6 million (Gross), including \$400,000 (GF/GP), for 16 additional nursing home surveyor/investigator positions
- \$241,000 (Gross) for enhancements to fire safety programs financed by fire safety fee increases
- Change in Method of Funding: Eliminate \$557,600 in GF/GP support for Property Development Group and replace with state restricted revenue

Michigan Jobs Commission

- Executive Order 1999-1 reorganizes the functions previously administered by the Department of Michigan Jobs Commission, creating the Michigan Strategic Fund Agency (an autonomous agency with the Department of Management and Budget) and the Department of Career Development
- FY 1998-99 Supplemental Budget Item: \$30.0 million (GF/GP) for construction of additional technical training centers around the state

Michigan Strategic Fund

- \$50.0 million (Gross) for health and aging research and development initiative involving Michigan universities and private research facilities; financed through tobacco settlement revenue
- \$5.0 million (federal) for the Community Development Block Grant program to reflect increase in federal funding levels
- \$1.0 million (GF/GP) for economic development job training grants

RESOURCE PROTECTION

Agriculture

- \$7.9 million (Gross) for food safety grants to local public health departments (transfer from Department of Community Health budget)
- \$2.1 million (GF/GP) for Project GREEN
- \$285,000 (GF/GP) for a grant to the 4-H Foundation of Michigan to support capital improvements at the Kettenun Center
- \$250,000 (GF/GP) for Migrant Labor Housing Construction Grant Program
- Change in Method of Funding: Replace \$2.4 million in horse racing revenue support for three fair-related programs with equal amount of GF/GP and redirect restricted racing revenue to support horse racing programs

- FY 1998-99 Supplemental Budget Items:
 - \$9.6 million (GF/GP) for bovine tuberculosis monitoring and eradication activities
 - \$250,000 (GF/GP) for Migrant Labor Housing Construction Grant Program

Environmental Quality

- \$11.9 million (Restricted) to reduce cleanup and redevelopment fund support to reflect expected revenue levels
- \$2.4 million (Restricted) to reduce scrap tire regulatory grants to reflect expected revenue level
- FY 1998-99 Supplemental Budget Items:
 - \$120.8 million (Restricted) for the Clean Michigan Initiative as follows:
 - R \$47.8 million for cleanup and redevelopment
 - R \$20.0 million for Waterfront redevelopment grants
 - R \$15.0 million to capitalize pollution prevention revolving funds
 - R \$12.6 million for leaking underground storage tank cleanup sites
 - R \$12.0 million for nonpoint source pollution grants
 - R \$5.0 million has been appropriated for small business loans
 - R \$4.3 million for contaminated river sediment cleanup
 - R \$2.0 million for municipal landfill grants
 - R \$2.0 million for Brownfield grants and loans

Natural Resources

- \$2.3 million (Restricted) to expand State Forest Inventory and Monitoring programs
- \$1.5 million (Restricted) to install computers in Conservation Officer vehicles
- \$1.2 million (Restricted) to assist private landowners manage timber resources
- \$1.2 million (Restricted) for forest fire suppression equipment
- \$1.0 million (Restricted) to hire ten new conservation officers

SAFETY AND DEFENSE**Military and Veterans Affairs**

- \$2.8 million (Gross), \$840,000 (GF/GP), for new Challenge Program
- \$2.0 million (GF/GP) for new National Guard Education Assistance Program
- \$1.3 million (Gross) in upward revenue adjustments for Grand Rapids and D.J. Jacobetti Veterans Homes
- Eliminated enlisted per diem payments; savings of \$339,900 (GF/GP)
- FY 1998-99 Supplemental Item: \$2.8 million (GF/GP) to complete enlisted per diem back payments

State Police

- \$2.1 million (Gross) and 10.0 FTEs for Casino Gaming Oversight of temporary Detroit casinos
- \$1.3 million (GF/GP) increase for Secondary Road Patrol grants

Overview

- \$1.2 million (GF/GP) for Michigan Information Processing Center conversion costs
- \$1.0 million (GF/GP) and 12.0 FTEs for additional detectives
- Reduction of \$2.0 million due to delayed phase-in for State Public Safety Communications System, \$682,000 increase for Upper Peninsula communications lines, and \$548,000 increase for radio maintenance shop leases; net reduction of \$770,000 (GF/GP)
- FY 1998-99 Supplemental Item: \$850,000 (GF/GP) for matching funds for Federal Emergency Managements funds associated with southeastern Michigan snow removal

ALL OTHER

Capital Outlay

- FY 1998-99 Supplemental Items:
 - \$92.4 million (GF/GP) for major special maintenance for state agencies (5-year plan)
 - \$60.0 million (GF/GP) Grand Rapids Convention Center expansion
 - \$35.0 million (GF/GP) for Detroit Institute of Arts upgrades
 - \$35.5 million (GF/GP) for Higher Education infrastructure, technology, equipment, and maintenance
 - \$10.0 million (GF/GP) for grant to Detroit Symphony Orchestra
 - \$5.0 million (GF/GP) for grant to Detroit Science Center
 - \$5.0 million (GF/GP) for grant to Henry Ford Museum
 - \$4.0 million (GF/GP) for grant to Windmill Island
 - \$10.0 million (GF/GP) for House of Representatives purchase (rather than lease) equipment and furnishings for new building
 - \$2.0 million (GF/GP) for restoration of Fort Mackinac Stone Wall
 - \$13.4 million (Restricted) for Natural Resources Trust Fund, Round 2 grants
 - \$5.6 million (Restricted) for Farmland and Open Space Development Acquisition
 - \$5.0 million (GF/GP) for local airport improvement projects
 - \$1.0 million (GF/GP) for grant to Museum of African-American History
 - \$1.0 million (GF/GP) for Grand Valley State University Fresh Water Research Center

Judiciary

- \$5.7 million (GF/GP) for justices and judges salaries as recommended by the State Officers Compensation Commission
- \$2.2 million (GF/GP) for defined contribution for judges' retirement
- \$1.0 million (GF/GP) reduction in Appellate Defender's operation line item
- FY 1998-99 Supplemental Budget Items:
 - \$1.0 million for drug courts (HB 4075)
 - \$2.5 million judges' salaries, \$2.3 million for defined contribution for judges' retirement (SB 68)

Transportation

- \$37.7 million (Restricted) increase in Michigan Transportation Fund (MTF) distribution to county road commissions, cities and villages
- \$15.8 million (federal) increase for local roads and bridges to attain the 75:25 federal fund allocation mandated by PA 51 of 1951
- \$13.8 million (Restricted) increase in state trunkline maintenance
- Reduce debt service payments by 18.5% as a result of 1998 debt refinancing and restructuring; savings of \$15.7 million in Restricted revenue
- Reduce the statutory local bus operating assistance line item by 6.7% as a result of a reduction in the amount available for appropriation in the Comprehensive Transportation Fund (CTF) balance; savings of \$10.4 million in state restricted revenue. [Note that the enacted budget included \$6 million in a new separate line item, "Local bus operating: unreserved CTF balance" to provide additional funding support for local bus operating should the Department, the House and Senate fiscal agencies, and the Department of Management and Budget determine that there is sufficient funding available in the CTF to support the appropriation. Conditions for appropriation of this new line item are set forth in new boilerplate Section 729.]

LINE ITEM VETOES

The following summarizes the Governor's vetoes for FY 1999-2000. Individual vetoes are discussed in more detail in the body of the report.

			<u>Gross Amount of Veto</u>
Community Health	HB 4299	1999 PA 114	\$500,000
Higher Education	HB 4302	1999 PA 93	\$150,000
Environmental Quality	SB 364	1999 PA 125	\$400,000
Family Independence Agency	SB 365	1999 PA 135	\$55,000
Judiciary	SB 368	1999 PA 126	\$508,300
Transportation	SB 372	1999 PA 136	\$21,350,000
School Aid	HB 4498	1999 PA 119	\$5,060,000

TAX CHANGES AND INCREASED FEES

The Legislature adopted and the Governor signed two major tax reductions. The first reduces the personal income tax rate from the current 4.4% to a 3.9% rate over five years; this will lower GF/GP revenues by \$126 million in tax year 2000. The second phases out the Single Business Tax by reducing the tax rate 0.1% per year for 23 years; this will lower GF/GP revenues \$87 million in FY 1998-99 and \$213.8 million in FY 1999-2000.

In *Worldbook v. Michigan Department of Treasury* the Supreme Court ruled that the state had improperly denied certain deductions to use tax filers. In *Michigan Bell v. Michigan Department of Treasury*, the Supreme Court let stand a lower court decision that invalidated Treasury's method of apportioning certain sales tax exemptions for businesses. In response to the Supreme Court's rulings, the Legislature passed a package of bills which provides a bad debt reduction for use tax filers and an apportionment method for the industrial processing exemption (sales tax). The net impact of changes in the Single Business Tax, sales, and use taxes is expected to increase FY 1998-99 revenues by \$143 million (because the changes mitigate the effect of the lawsuits) and reduce FY 1999-2000 revenues by \$187 million.

The Legislature also authorized some increases in fees: for application to designate a historical site, for fire safety and construction inspections, and for newborn child screening tests. The newborn child screening fee change, however, was not given immediate effect in the Senate. No action was taken on the Governor's proposals to impose fees on handlers and processors of hazardous waste and to increase fees for law examination participants. **Exhibit 1** (page 19) briefly summarizes these new fees.

CHANGES IN METHODS OF FUNDING PROGRAMS

A new funding source for the state is the tobacco settlement, which will provide \$8.1 billion to be paid to the state in yearly installments over the next 25 years. Fiscal Year 1999-2000 appropriations dedicate \$115 million of tobacco settlement funds received that year to the Michigan Merit Award Trust Fund established pursuant to HB 4666 (1999 PA 94). An additional \$53 million is directed to the Department of Community Health for the senior prescription drug program, increased personal needs for nursing home residents, various programs for the aging, and a one-time, long-term innovation grants program. Also, \$50 million in tobacco settlement monies is set aside for health and aging research and development strategies under the new Strategic Fund Agency, and \$75 million is allocated to the new Department of Career Development for vocational and technical education center expansion. Of the \$383.4 million in total tobacco settlement funds available in calendar year 2000, about \$90 million is unallocated as of July 1999.

Funding shifts implement Executive Order 1999-1. The Michigan Jobs Commission's Work First and Welfare-to-Work programs are conveyed to the new Department of Career Development and converted from GF/GP funding to federal TANF funding. This frees up about \$29.4 million (GF/GP) for programs in the Family Independence Agency. The Executive Order provides that the Department of Community Health transfer \$10 million to the Department of Consumer and Industry Services for grants and to encourage improved care in nursing homes.

Finally, the budget implements last year's Act 51 amendments, phasing out Michigan Transportation Fund interdepartmental grants to several departments, and implements the Wayne County Block Grant.

Exhibit 2 (page 20) summarizes proposed changes in methods of funding state programs by department.

STANDARD BOILERPLATE PROVISIONS

Exhibit 3 (page 21) summarizes standard boilerplate provisions common to all operating department appropriations acts. Last year's provisions relating to contingency funds, hiring freeze, planning prior to a privatization project and evaluation of the project's results, year 2000 progress report, foreign goods or services, and business in deprived or depressed areas are carried over to FY 1999-2000.

New provisions were added in FY 1999-2000. One requires that after April 1, 2000, departments report to the legislature quarterly on any significant Y2K information system problems, systems failures due to noncompliance with Y2K standards, and previously unidentified areas of significant Y2K impact. A second new provision requires departments to report the activities of the department's internal auditor in specific compliance with certain provisions of the Management and Budget Act.

Exhibit 1 NEW AND INCREASED FEES

Consumer and Industry Services

Fire Safety Fee Increase. The Office of Fire Safety charges fees to hospitals and schools for fire safety plan reviews and construction inspections. The fees are increased by boilerplate provision, adding about \$241,000 in new revenue to support the inspection program.

Community Health

Newborn Screening Fee Increase. This fee pays for tests performed on newborn infants to determine congenital conditions that may require immediate treatment. The fee would increase from \$29 to approximately \$45, providing \$1.2 million more for testing, provider services, and public education. Statutory amendment required; SB 592 has passed the Senate and House, but is awaiting immediate effect by the Senate.

Environmental Quality

Hazardous Waste User Charges. The repeal of federal hazardous and liquid waste transportation fees means that Michigan will lose about \$1.6 million in state fee revenue formerly used to fund regulating hazardous waste transportation. A new fee package is proposed including an annual handler charge ranging from \$100 to \$2,000, a \$4 manifest charge, and a one-time \$50 processing charge. These user charge revenues would provide continued support for a hazardous waste management program. Statutory authorization is yet required.

State

Application Fee for State Tax Credit for Historic Markers. A \$250 fee per application to designate a historical site would provide about \$7,500 per year deposited in a revolving fund to be used for correcting, repairing, or replacing historical markers or for related education programs. Boilerplate provision implemented this fee.

Exhibit 2
CHANGES IN METHODS OF FUNDING STATE PROGRAMS BY DEPARTMENT

Agriculture

Horse racing revenue (\$2.4 million) formerly allocated to fair-related programs is replaced by GF/GP support, and restricted horse racing revenue is redirected to only horse racing programs.

Attorney General

Interdepartmental grants from the State Trunkline Fund and the Comprehensive Transportation Fund to the Attorney General are replaced by a \$2.5 million grant from the Michigan Transportation Fund (MTF). This funding shift makes about \$1.4 million unavailable for MTF formula distribution to local governments.

Career Development

General Fund/General Purpose support for Work First (\$19.4 million) and Welfare-to-Work (\$10 million) programs is eliminated. Pursuant to E.O. 1999-1, these programs will be operated by the new Department of Career Development, and GF/GP funding will be replaced by federal Temporary Assistance to Needy Family (TANF) funding — freeing-up the \$29.4 million (GF/GP) for other Family Independence Agency uses.

Consumer and Industry Services (CIS)

The Department of Consumer and Industry Services will receive \$10 million in federal Medicaid and GF/GP monies transferred from the Department of Community Health. This will be used by CIS for grants to nursing homes and to encourage high-quality care.

Family Independence Agency (FIA)

The FIA bill appropriates \$468 million in food stamps for the first time. Heretofore, the value of food stamp coupons was not appropriated since the client only received food coupons and not a cash payment. Cash payments are now made through an electronic benefit transfer system as a means to deter fraud, prevent theft, and reduce administrative costs.

Under the Wayne County Block Grant, the county will be responsible for delinquency cases and the state will assume the county's abuse and neglect cases. The proposal transfers a net of \$59.2 (GF/GP) to the county to implement the block grant.

State

The Michigan Transportation Fund interdepartmental grant to the Department of State is increased by \$8 million, with offsetting reductions to GF/GP.

Transportation

The 1998 revisions to Act 51 phase out Michigan Transportation Fund interdepartmental grants to the Departments of Civil Service, Management and Budget, State Police, and Treasury. Michigan Transportation Fund grants are retained for the Department of State and Attorney General.

Exhibit 3
STANDARD BOILERPLATE PROVISIONS

Contingency Funds

Federal, state restricted, local, and private contingency funds are appropriated via boilerplate provisions again this year. In each category, funds are appropriated not to exceed a dollar ceiling; however, these funds are not available for expenditure until they have been transferred to a line item pursuant to legislative transfer, Section 393(2) of the Management and Budget Act.

Hiring Freeze

State departments and agencies again are prohibited from hiring any new full-time state classified civil service employees and may not fill any vacant classified positions. The State Budget Director may grant exceptions when the freeze will result in failure to deliver basic services. The Director must report to the chairpersons of the House and Senate Appropriations Committees each month on exceptions to the hiring freeze.

Year 2000 Progress Report

Departments are required to submit reports to the Department of Management and Budget (DMB) on departmental efforts to change computer software and hardware as necessary to perform properly in the year 2000 and beyond. Departments may present progress billings for DMB to reimburse costs incurred by the departments in changing computer software and hardware as necessary to assure proper performance. A new section is added this year requiring that after April 1, 2000, departments report Y2K problems experienced. These reports shall be submitted to DMB, legislative appropriations committees, and standing committees having jurisdiction over technology issues.

Privatization Plan

The departments must submit a complete privatization project plan 60 days before any effort to privatize. The plan shall include the criteria under which the privatization initiative will be evaluated. Both the plan and the evaluation are to be completed and submitted to the House and Senate Appropriations Committees and the fiscal agencies.

Foreign Goods or Services

The purchase of foreign goods or services is prohibited if American goods of comparable price and quality are available. Several departments also are required to issue an annual report to DMB, to legislative leaders, to standing and appropriations committee chairs, and to the fiscal agencies on efforts to comply with this section.

Business in Deprived and Depressed Areas

Department directors are required to take all reasonable steps to ensure that businesses in depressed areas compete for and perform contracts to provide services for the department. Also, directors are to strongly encourage firms with which the department contracts to subcontract with certified businesses in depressed and deprived communities.

Internal Auditor Compliance

By March 1, 2000, and biennially thereafter, all departments are to report to the governor, the auditor general, and the Senate and House Appropriations Committees on the activities of the internal auditor pursuant to specific requirements of the Management and Budget Act and the proportion of time spent on all other activities.

STATE WORKFORCE CHANGES

Overview

Table 4 (page 27) compares the number of Full-time Equated or FTE employees (classified and unclassified) between FY 1998-99 and FY 1999-2000 (enacted). It shows that FTE positions will increase to 63,549.4 in FY 1999-2000 — an increase of 1,487.8 FTEs or 2.4% from the current year. It should be noted that the reduction of Legislative FTEs from 140.0 to zero does not represent a loss of positions, but rather a change in the method of reporting.

Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave and used sick leave) during the year. The major increase occurs in the Department of Corrections which will hire 1,802 employees to staff new correctional facility beds coming on line. Other increases include: State Police (34.0 FTEs) for additional detectives, gaming oversight, and motor carrier enforcement; State (27.9 FTEs), to implement recently-enacted state and federal legislation; Treasury (24.0 FTEs) mostly for casino gaming oversight activities; and Natural Resources (13.0 FTEs) mostly for new conservation officers. Substantial decreases occur in the Family Independence Agency (-243.0 FTEs) due to dropping caseloads, Community Health (-169.0 FTEs) reflecting reduced patient populations in state-operated facilities, and Judiciary (-19.0 FTEs) due to reduced operations in the State Appellate Defender's Office. The Regulatory budget shows staffing transfers to the new Department of Career Development and the new Michigan Strategic Fund agency and the closure of the Michigan Jobs Commission, implementing Executive Order 1999-1. Other departments and agencies either maintain existing staff levels or gain or lose a few staff.

CONSENSUS REVENUE ESTIMATES

State law requires that the State Treasurer and the Directors of the Senate and House Fiscal Agencies meet at least twice a year to review and revise GF/GP and School Aid Fund revenue forecasts. The Consensus Revenue Estimating Conference was held on May 17, 1999, to revise estimated revenues for FY 1998-99 and reach a consensus on initial FY 1999-2000 revenues.

The consensus agreement anticipates that baseline GF/GP revenues will increase by 3.8% in FY1998-99 and by 4.6% in FY 1999-2000. Actual revenues will provide an additional \$336.1 million in GF/GP fiscal resources in FY 1998-99 and \$530.9 million more in FY 1999-2000. The last section of this report explains these estimates and the assumptions upon which they are based.

STATE SPENDING RETURNED TO LOCAL GOVERNMENTS

Payments to Local Governments

Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government.

As shown in **Table 5** (page 28), the enacted budget provides for \$14.6 billion in payments to local units of government, 61% of the estimated \$24 billion in state spending from state resources — well within the constitutional requirement.

The two most significant payments to local units of government are state aid to local school districts and state revenue sharing allocated through the Department of the Treasury. State school aid from state revenue sources will rise from \$9.5 billion in FY 1998-99 to approximately \$10 billion in FY 1999-2000.

Revenue Sharing

The budget provides approximately \$1.5 billion for cities, villages, townships, and counties.

ACROSS-THE-BOARD ECONOMIC/INFLATION CHANGES

Across-the-board adjustments are associated with employee wage and fringe benefit increases and inflationary increases in the costs for supplies, materials, equipment, etc.

In accordance with various collective bargaining agreements, salary increases for classified employees are equivalent to about 3.0% of salaries, effective October 1, 1999. Classified and unclassified employees will receive \$159.7 million (Gross) and \$94.4 (GF/GP) for pay and benefit adjustments.

Other economic increases totaling \$7.8 million (Gross) and \$4 million (GF/GP) are provided to offset inflationary cost increases for motor transport, medical services, food, worker's compensation, fuel and utilities, building occupancy, information processing center, and postage services.

Overview

TABLE 1
FY 1999-2000 APPROPRIATIONS BY SOURCE OF FUNDS

Department/Major Budget Area	Gross	IDGs and IDTs	Adjusted Gross	Federal Funds	Local Revenue	Private Revenue	Other State Restricted	General Fund/ General Purpose
Community Colleges	297,228,019	0	297,228,019	0	0	0	0	297,228,019
Education	1,001,506,100	1,084,700	1,000,421,400	928,508,200	6,244,300	587,300	27,264,600	37,817,000
Higher Education	1,774,759,308	0	1,774,759,308	3,900,000	0	0	91,550,000	1,679,309,308
School Aid	10,160,831,200	0	10,160,831,200	120,000,000	0	0	9,620,217,700	420,613,500
EDUCATION	\$13,234,324,627	\$1,084,700	\$13,233,239,927	\$1,052,408,200	\$6,244,300	\$587,300	\$9,739,032,300	\$2,434,967,827
Attorney General	55,132,300	8,686,800	46,445,500	6,401,700	0	1,106,800	6,858,200	32,078,800
Civil Rights	14,623,300	0	14,623,300	1,634,000	0	0	0	12,989,300
Civil Service	28,585,500	2,300,000	26,285,500	4,779,100	1,700,000	150,000	8,859,200	10,797,200
Executive Office	5,425,100	0	5,425,100	0	0	0	0	5,425,100
Legislative Auditor General	14,343,400	1,527,100	12,816,300	0	0	0	293,800	12,522,500
Legislature	103,153,500	0	103,153,500	0	0	400,000	1,041,800	101,711,700
Library of Michigan	38,977,400	0	38,977,400	4,557,400	0	75,000	86,900	34,258,100
Management and Budget	137,400,800	52,476,200	84,924,600	536,400	0	0	39,579,000	44,809,200
State	181,515,300	56,830,800	124,684,500	3,112,100	0	500,100	60,983,300	60,089,000
Treasury: Operations	302,598,100	8,810,600	293,787,500	39,800,000	2,247,200	0	188,441,900	63,298,400
Treasury: Debt/Revenue Sharing	1,563,117,500	0	1,563,117,500	0	700,000	0	1,462,500,000	99,917,500
GENERAL GOVERNMENT	\$2,444,872,200	\$130,631,500	\$2,314,240,700	\$60,820,700	\$4,647,200	\$2,231,900	\$1,768,644,100	\$477,896,800
Community Health	8,152,205,200	69,609,900	8,082,595,300	4,188,318,300	814,567,500	61,442,000	382,122,500	2,636,145,000
Corrections	1,567,641,800	6,615,600	1,561,026,200	25,686,400	412,800	0	48,347,900	1,486,579,100
Family Independence Agency	3,642,932,400	150,000	3,642,782,400	2,374,089,800	48,539,500	7,858,100	123,565,500	1,088,729,500
HUMAN SERVICES	\$13,362,779,400	\$76,375,500	\$13,286,403,900	\$6,588,094,500	\$863,519,800	\$69,300,100	\$554,035,900	\$5,211,453,600
Consumer & Industry Services	495,233,500	4,020,900	491,212,600	219,090,000	0	791,900	193,473,200	77,857,500
Michigan Jobs Commission	0	0	0	0	0	0	0	0
Career Development	515,904,700	1,047,000	514,857,700	400,323,300	10,867,900	2,607,000	79,920,300	21,139,200
Michigan Strategic Fund Agency	168,917,100	100,000	168,817,100	53,203,200	0	656,700	50,050,000	64,907,200
REGULATORY	\$1,180,055,300	\$5,167,900	\$1,174,887,400	\$672,616,500	\$10,867,900	\$4,055,600	\$323,443,500	\$163,903,900
Agriculture	91,750,000	8,571,900	83,178,100	5,249,900	0	871,900	31,172,400	45,883,900
Environmental Quality	393,588,600	16,778,700	376,809,900	126,831,500	1,195,600	333,700	152,202,700	96,246,400
Natural Resources	241,911,300	4,643,100	237,268,200	22,268,200	0	1,698,600	161,806,400	51,495,000
RESOURCE PROTECTION	\$727,249,900	\$29,993,700	\$697,256,200	\$154,349,600	\$1,195,600	\$2,904,200	\$345,181,500	\$193,625,300
Military and Veterans Affairs	94,962,000	0	94,962,000	32,477,400	0	375,000	22,409,100	39,700,500
State Police	368,850,300	22,307,800	346,542,500	32,216,400	3,479,800	0	42,126,400	268,719,900
SAFETY AND DEFENSE	\$463,812,300	\$22,307,800	\$441,504,500	\$64,693,800	\$3,479,800	\$375,000	\$64,535,500	\$308,420,400
Capital Outlay	252,636,900	0	252,636,900	1,700,000	0	0	4,820,000	246,116,900
Judiciary	226,622,000	2,287,400	224,334,600	3,077,800	2,496,600	1,702,400	56,074,900	160,982,900
Transportation	2,808,545,700	10,459,500	2,798,086,200	815,921,000	5,300,000	0	1,976,865,200	0
ALL OTHERS	\$3,287,804,600	\$12,746,900	\$3,275,057,700	\$820,698,800	\$7,796,600	\$1,702,400	\$2,037,760,100	\$407,099,800
TOTALS	\$34,700,898,327	\$278,308,000	\$34,422,590,327	\$9,413,682,100	\$897,751,200	\$81,156,500	\$14,832,632,900	\$9,197,367,627

*NOTE: Capital Outlay Budget incomplete as of August 1999

TABLE 2

FY 1999-2000 APPROPRIATIONS
FY 1998-99 Year-To-Date Compared with FY 1999-2000

ADJUSTED GROSS

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 YEAR-TO-DATE	FY 1999-2000 vs 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	282,000,000	297,228,019	15,228,019	5.4%
Education	884,144,200	1,000,421,400	116,277,200	13.2%
Higher Education	1,604,252,000	1,774,759,308	170,507,308	10.6%
School Aid	9,667,206,600	10,160,831,200	493,624,600	5.1%
EDUCATION	\$12,437,602,800	\$13,233,239,927	\$795,637,127	6.4%
Attorney General	48,086,800	46,445,500	(1,641,300)	-3.4%
Civil Rights	14,104,800	14,623,300	518,500	3.7%
Civil Service	32,156,600	26,285,500	(5,871,100)	-18.3%
Executive Office	5,117,300	5,425,100	307,800	6.0%
Legislative Auditor General	12,277,200	12,816,300	539,100	4.4%
Legislature	94,003,400	103,153,500	9,150,100	9.7%
Library of Michigan	37,249,100	38,977,400	1,728,300	4.6%
Management and Budget	95,982,600	84,924,600	(11,058,000)	-11.5%
State	129,185,700	124,684,500	(4,501,200)	-3.5%
Treasury: Operations	281,299,800	293,787,500	12,487,700	4.4%
Treasury: Debt/RevenueShare	1,480,717,500	1,563,117,500	82,400,000	5.6%
GENERAL GOVERNMENT	\$2,230,180,800	\$2,314,240,700	\$84,059,900	3.8%
Community Health	7,661,822,200	8,082,595,300	420,773,100	5.5%
Corrections	1,435,498,400	1,561,026,200	125,527,800	8.7%
Family Independence Agency	3,232,181,300	3,642,782,400	410,601,100	12.7%
HUMAN SERVICES	\$12,329,501,900	\$13,286,403,900	\$956,902,000	7.8%
Consumer and Industry Services	463,351,000	491,212,600	27,861,600	6.0%
Michigan Jobs Commission	594,136,400	0	(594,136,400)	-100.0%
Career Development	500,000	514,857,700	514,357,700	n/a
Michigan Strategic Fund Agency		168,817,100	168,817,100	n/a
REGULATORY	\$1,057,987,400	\$1,174,887,400	\$116,900,000	11.0%
Agriculture	88,684,900	83,178,100	(5,506,800)	-6.2%
Environmental Quality	515,419,800	376,809,900	(138,609,900)	-26.9%
Natural Resources	226,565,900	237,268,200	10,702,300	4.7%
RESOURCE PROTECTION	\$830,670,600	\$697,256,200	(\$133,414,400)	-16.1%
Military and Veterans Affairs	91,543,300	94,962,000	3,418,700	3.7%
State Police	339,786,900	346,542,500	6,755,600	2.0%
SAFETY AND DEFENSE	\$431,330,200	\$441,504,500	\$10,174,300	2.4%
Capital Outlay*	722,643,808	252,636,900	n/a	n/a
Judiciary	217,616,800	224,334,600	6,717,800	3.1%
Transportation	2,765,936,900	2,798,086,200	32,149,300	1.2%
ALL OTHERS	\$3,706,197,508	\$3,275,057,700	\$38,867,100	1.0%
TOTALS	\$33,023,471,208	\$34,422,590,327	\$1,869,126,027	5.7%
*NOTE: Capital Outlay budget incomplete at August 1999				
EXCLUDING CAPITAL OUTLAY				
TOTALS	\$32,300,827,400	\$34,169,953,427	\$1,869,126,027	5.8%

Overview

TABLE 3

FY 1999-2000 APPROPRIATIONS

FY 1998-99 Year-To-Date Compared with FY 1999-2000

GENERAL FUND / GENERAL PURPOSE

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 YEAR-TO-DATE	FY 1999-2000 vs 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	282,000,000	297,228,019	15,228,019	5.4%
Education	46,393,800	37,817,000	(8,576,800)	-18.5%
Higher Education	1,600,500,000	1,679,309,308	78,809,308	4.9%
School Aid	420,613,500	420,613,500	0	0.0%
EDUCATION	\$2,349,507,300	\$2,434,967,827	\$85,460,527	3.6%
Attorney General	33,187,200	32,078,800	(1,108,400)	-3.3%
Civil Rights	12,504,800	12,989,300	484,500	3.9%
Civil Service	19,659,400	10,797,200	(8,862,200)	-45.1%
Executive Office	5,117,300	5,425,100	307,800	6.0%
Legislative Auditor General	11,983,400	12,522,500	539,100	4.5%
Legislature	92,561,600	101,711,700	9,150,100	9.9%
Library of Michigan	32,977,400	34,258,100	1,280,700	3.9%
Management and Budget	58,138,200	44,809,200	(13,329,000)	-22.9%
State	67,974,400	60,089,000	(7,885,400)	-11.6%
Treasury: Operations	66,701,900	63,298,400	(3,403,500)	-5.1%
Treasury: Debt/Revenue	99,317,500	99,917,500	600,000	0.6%
GENERAL GOVERNMENT	\$500,123,100	\$477,896,800	(\$22,226,300)	-4.4%
Community Health	2,606,893,700	2,636,145,000	29,251,300	1.1%
Corrections	1,368,557,100	1,486,579,100	118,022,000	8.6%
Family Independence Agency	1,128,357,900	1,088,729,500	(39,628,400)	-3.5%
HUMAN SERVICES	\$5,103,808,700	\$5,211,453,600	\$107,644,900	2.1%
Consumer and Industry Services	71,500,000	77,857,500	6,357,500	8.9%
Michigan Jobs Commission	109,109,800	0	(109,109,800)	-100.0%
Career Development	500,000	21,139,200	20,639,200	n/a
Michigan Strategic Fund Agency		64,907,200	64,907,200	n/a
REGULATORY	\$181,109,800	\$163,903,900	(\$17,205,900)	-9.5%
Agriculture	48,887,000	45,883,900	(3,003,100)	-6.1%
Environmental Quality	92,501,300	96,246,400	3,745,100	4.0%
Natural Resources	49,650,000	51,495,000	1,845,000	3.7%
RESOURCE PROTECTION	\$191,038,300	\$193,625,300	\$2,587,000	1.4%
Military and Veterans Affairs	39,581,300	39,700,500	119,200	0.3%
State Police	260,023,000	268,719,900	8,696,900	3.3%
SAFETY AND DEFENSE	\$299,604,300	\$308,420,400	\$8,816,100	2.9%
Capital Outlay*	520,355,000	246,116,900	n/a	n/a
Judiciary	157,099,300	160,982,900	3,883,600	2.5%
Transportation	0	0	0	0.0%
ALL OTHERS	\$677,454,300	\$407,099,800	\$3,883,600	0.6%
TOTALS	\$9,302,645,800	\$9,197,367,627	\$168,959,927	1.8%

*NOTE: Capital Outlay budget incomplete at August 1999

EXCLUDING CAPITAL OUTLAY				
TOTALS	\$8,782,290,800	\$8,951,250,727	\$168,959,927	1.9%

TABLE 4
FULL-TIME EQUATED POSITIONS*
FY 1998-99 Year-to-Date Compared with FY 1999-2000

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 ENACTED	FY 1999-2000 vs. FY 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	0.0	0.0	0.0	0.0%
Education	548.6	548.6	0.0	0.0%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	0.0%
EDUCATION	549.6	549.6	0.0	0.0%
Attorney General	574.0	575.0	1.0	0.2%
Civil Rights	171.5	171.5	0.0	0.0%
Civil Service	230.5	230.5	0.0	0.0%
Executive Office	85.0	85.0	0.0	0.0%
Legislative Auditor General	0.0	0.0	0.0	0.0%
Legislature	0.0	0.0	0.0	0.0%
Library of Michigan**	140.0	0.0	n/a	n/a
Management and Budget	951.5	950.0	(1.5)	-0.2%
State	2,022.1	2,050.0	27.9	1.4%
Treasury: Operations	1,918.0	1,942.0	24.0	1.3%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
GENERAL GOVERNMENT	6,092.6	6,004.0	51.4	0.8%
Community Health	6,305.3	6,136.3	(169.0)	-2.7%
Corrections***	17,387.9	19,190.3	1,802.4	10.4%
Family Independence Agency	13,471.3	13,228.3	(243.0)	-1.8%
HUMAN SERVICES	37,164.5	38,554.9	1,390.4	3.7%
Consumer and Industry Services	4,194.9	4,212.9	18.0	0.4%
Michigan Jobs Commission	1,316.0	0.0	(1,316.0)	-100.0%
Career Development	0.0	1,072.0	1,072.0	n/a
Michigan Strategic Fund	0.0	241.0	241.0	n/a
REGULATORY	5,510.9	5,525.9	15.0	0.3%
Agriculture	604.5	605.5	1.0	0.2%
Environmental Quality	1,614.7	1,616.7	2.0	0.1%
Natural Resources	2,230.5	2,243.5	13.0	0.6%
RESOURCE PROTECTION	4,449.7	4,465.7	16.0	0.4%
Military and Veterans Affairs	1,088.0	1,088.0	0.0	0.0%
State Police	3,562.0	3,596.0	34.0	1.0%
SAFETY AND DEFENSE	4,650.0	4,684.0	34.0	0.7%
Capital Outlay	0.0	0.0	0.0	0.0%
Judiciary	602.0	583.0	(19.0)	-3.2%
Transportation	3,182.3	3,182.3	0.0	0.0%
ALL OTHERS	3,784.3	3,765.3	(19.0)	-0.5%
TOTALS	62,201.6	63,549.4	1,487.8	2.4%

*Includes classified, unclassified, and nonlegislative exempt positions.

**No loss of positions; FTE notation eliminated to be consistent with the treatment of other Legislative entities.

***Increase to accommodate addition of over 5,000 new prison beds.

Overview

Table 5

STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 1999-2000 Year-To-Date

<u>DEPARTMENT/ MAJOR BUDGET AREA</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	297,228,019	297,228,019	100.0%
Education	65,081,600	27,492,600	42.2%
Higher Education	1,770,859,308	4,566,584	0.3%
School Aid	10,040,831,200	9,997,907,200	99.6%
EDUCATION	\$12,174,000,127	\$10,327,194,403	84.8%
Attorney General	38,937,000	0	0.0%
Civil Rights	12,989,300	0	0.0%
Civil Service	19,656,400	0	0.0%
Executive Office	5,425,100	0	0.0%
Legislative Auditor General	12,816,300	0	0.0%
Legislature	102,753,500	0	0.0%
Library of Michigan	34,345,000	21,661,000	63.1%
Management and Budget	84,388,200	0	0.0%
State	121,072,300	69,800	0.1%
Treasury: Operations	251,740,300	81,098,900	32.2%
Treasury: Debt/Revenue Sharing	1,562,417,500	1,469,000,000	94.0%
GENERAL GOVERNMENT	\$2,246,540,900	\$1,571,829,700	70.0%
Community Health	3,018,267,500	1,086,316,500	36.0%
Corrections	1,534,927,000	80,858,600	5.3%
Family Independence Agency	1,212,295,000	172,154,500	14.2%
HUMAN SERVICES	\$5,765,489,500	\$1,339,329,600	23.2%
Consumer & Industry Services	271,330,700	33,773,700	12.4%
Michigan Jobs Commission	0	0	0.0%
Career Development	101,059,500	75,000,000	74.2%
Michigan Strategic Fund Agency	114,957,200	31,000,000	27.0%
REGULATORY	\$487,347,400	\$139,773,700	28.7%
Agriculture	77,056,300	1,400,000	1.8%
Environmental Quality	248,449,100	6,619,900	2.7%
Natural Resources	213,301,400	21,985,100	10.3%
RESOURCE PROTECTION	\$538,806,800	\$30,005,000	5.6%
Military and Veterans Affairs	62,109,600	111,900	0.2%
State Police	310,846,300	19,384,100	6.2%
SAFETY AND DEFENSE	\$372,955,900	\$19,496,000	5.2%
Capital Outlay*	250,936,900	n/a	n/a
Judiciary	217,057,800	113,484,700	52.3%
Transportation	1,976,865,200	1,105,317,700	55.9%
ALL OTHER	\$2,444,859,900	\$1,218,802,400	49.9%
TOTALS	\$24,030,000,527	\$14,646,430,803	61.0%
<p>*NOTE: Capital Outlay budget incomplete at August 1999. Amount of state spending to local government units will be determined with passage of Capital Outlay budget bill for FY 1999-2000.</p>			
EXCLUDING CAPITAL OUTLAY			
TOTALS	\$23,779,063,627	\$14,646,430,803	61.6%